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## Mexico

### Agricultural Situation

### Weekly Highlights & Hot Bites, Issue #36

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#### Report Highlights:

**WalMart Withdraws From ANTAD\* Mexican Agricultural Sector Will Face Zero Import Tariffs\* Mexican Agriculture Not Ready To Compete With NAFTA Partners\* Fox To Fight U.S. Farm Subsidies\* Mexico Will Not Tolerate Agriculture Subsidies\* Potato Producers' Concerns For 2003**

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Includes PSD changes: No  
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Welcome to Hot Bites from Mexico, a weekly review of issues of interest to the U.S. agricultural community. The topics covered in this report reflect developments in Mexico that have been garnered during travel around the country, reported in the media, or offered by host country officials and agricultural analysts. Readers should understand that press articles are included in this report to provide insights into the Mexican "mood" facing U.S. agricultural exporters. Significant issues will be expanded upon in subsequent reports from this office.

**DISCLAIMER:** Any press summary contained herein does NOT reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

### **WALMART WITHDRAWS FROM ANTAD**

WalMart of Mexico (WalMex), the largest Mexican supermarket chain, withdrew from the National Retailers and Supermarkets Association (ANTAD) claiming the association does not support retail competition. Specifically, WalMex noted the recent decision to ban ANTAD members from comparing their prices with those of competitors. WalMex, which operates over 500 retail outlets in Mexico, including WalMart, Bodega, Superama and Sam's Club retail stores, Suburbia department stores and VIP's and El Porton restaurants, accounts for about 40 percent of all sales in Mexican supermarkets. Grupo Cifra, now owned by WalMex, founded ANTAD in 1978 with Gigante and Comercial Mexicana, two of WalMex's major competitors in Mexico. Executives of WalMex expressed their intention to return to ANTAD if its internal policies are changed. (Source: ATO Mexico City, 10/17/02)

### **MEXICAN AGRICULTURAL SECTOR WILL FACE ZERO IMPORT TARIFFS**

Agricultural producers will be adversely impacted when Mexico eliminates import tariffs on meat, eggs and other foods in 2003, under NAFTA. Experts and producers affirmed that Mexican agriculture is at a disadvantage and that they doubt the effectiveness of the new "agriculture armor" program, which is still being designed even though there is less than three months to go before the 2003 agricultural opening. Mariano Ruiz-Funes, Director of the Associates Economists Group (GEA), pointed out that among the products that will be most affected by this opening are livestock and some fruits like apples. According to GEA, the products whose tariffs will be eliminated in 2003 represent approximately 30 percent of the total farm imports, and nearly 50 percent of the production value (excluding corn), which reflects how far reaching this opening will be. The current average import duty of the products that will be liberalized is 12 percent. Also, Gustavo Torres-Flores, President of the National Confederation of Cattle Organizations, recognized the fact that the agricultural sector cannot compete with the United States, mainly with respect to energy prices and long-term financing. At the same time, Armando Paredes, President of the Consejo Nacional Agropecuario (CNA), the Mexican Farm Bureau, pointed out agriculture supports equivalent to those offered by the United States and Canada do not exist and that conditions in the agricultural sector will be inadequate to face the trade opening. The President of the Agriculture Committee in the Lower Chamber, Jaime Rodriguez, anticipates that 2003 will be a difficult and crucial year for Mexican agriculture. "If some measures are not implemented to protect domestic production against imports next year,

there will not be an alternative to save the agricultural sector, even with a higher government budget," he said. Lastly, Lauro Diaz, President of the Agriculture Committee in the Senate, indicated that the main problem is the new U.S. Farm bill which includes new supports to the U.S. farmers. The supports will reach US\$190 billion for the next ten years. "These new supports will make it worse for Mexican agriculture," Diaz said. (Source: *Reforma*, 10/14/02)

## **MEXICAN AGRICULTURE NOT READY TO COMPETE WITH NAFTA PARTNERS**

According to an article appearing in *La Jornada* (a left leaning newspaper) on October 20, 2002, the World Bank considers that Mexico is not ready to compete under NAFTA. As a part of the document "Country Assistance Strategy for Mexico," the World Bank pointed out Mexico's low productivity of its agriculture and the integration of its rural sector into the rest of the economy. This sector has had the most drastic structural reforms over the last decade (GATT and NAFTA-driven trade liberalization, elimination of price interventions, constitutional reform of land tenure), but the results have been disappointing (stagnating growth, lack of external competitiveness, increased rural poverty) in spite of much public support (PROCAMPO, PROCEDURE, Alianza para el Campo, CONASUPO, ASERCA, among others). Past reforms have not resolved decades of structural limitations in the capacity of small holders to access assets, to participate in better-functioning factor and goods markets (land, financial services, labor, warehousing, technology), and to add value in the marketing chain, all of which have severely constrained the contribution of the rural sector to the growth process. This presents a major policy challenge because the NAFTA will put the sector in open competition with Canada and the United States as of 2008. (Source: *La Jornada*, 10/20/02)

## **FOX TO FIGHT U.S. FARM SUBSIDIES**

President Vicente Fox criticized American farm subsidies Tuesday, October 22, 2002, saying he will approach U.S. President George W. Bush this weekend about making terms of free-trade agreements less painful for Mexican farmers. In an interview with The Associated Press on the sidelines of the Asia-Pacific Economic Cooperation (APEC) summit, Fox called for more American attention to Mexico's affairs and vowed to push Bush on a migration agreement that was thwarted by the September 11, 2001, terrorist attacks. The two presidents meet Saturday, October 26, 2002. "I want to talk to President Bush about the subsidies that the American government has decided to give, and how to prevent them from affecting Mexican communities and producers. Otherwise, what you'll have is more migration," he said. Fox also said the U.S. farm subsidies will hurt farmers in Mexico and must be phased out under the North American Free Trade Agreement, which includes Mexico, the United States and Canada. "I hope we can come out of APEC with great enthusiasm for open markets and for the eradication of subsidies," he said. Bush administration policies that give money and preferential treatment to the big players in the American farming industry don't play well abroad, where cheaper, more dominant U.S. goods can undersell local products and drive smaller farmers out of work. The attention to the subsidies, which Fox had not made a central issue before, could signal a chilling of his normally effusive relationship with Washington. (Source: *The News*, 10/23/02)

## **MEXICO WILL NOT TOLERATE AGRICULTURE SUBSIDIES**

Presidente Vicente Fox indicated that the Government of Mexico (GOM) will not tolerate other countries' subsidies which adversely impact Mexico's trade relations. "The most important thing is to distinguish when there is a subsidy. When a subsidy exists, we will not allow it to affect commercial relations with those countries with which we have free trade agreements," Fox said. "We are analyzing the last measures recently announced by the U.S. Government. If one of these measures, no matter if it is small, is in violation of NAFTA, we will act with determination," he stated. Mexico is going to take the Presidency of the World Trade Organization in 2003. Fox admitted that one of the main objectives of this presidency will be precisely to eliminate agriculture subsidies. Also, President Fox mentioned the beginning of negotiations with Japan in order to sign a free trade agreement. It will be formalized in Los Cabos, Mexico, during the upcoming APEC meeting. "The GOM will avoid making the same mistakes that were made in the previous negotiations," (i.e., NAFTA), he said. In contrast, in the free trade agreement with the European Union, Fox mentioned that Mexico had avoided including some agricultural products where it had disadvantages. "With Japan, we will be also very careful," Fox said. (Source: Reforma, 10/22/02)

### POTATO PRODUCERS' CONCERNS FOR 2003

Since last week, several newspapers have published articles related to the NAFTA implementation for 2003 when tariffs will be eliminated for several imported products, and the Mexican "agricultural armor" will be in effect. An article from *The News* talks about potatoes and strategies domestic producers must have. For one, domestic producers indicate that to better confront the opening of the market for 2003, they should try to industrialize potatoes and have an order for potato imports. Currently, there is a deficit in industrialized potatoes in Mexico, as most of the domestic production goes to the fresh market. Approximately 80 percent of 1.48 million tons harvested in 2002, went to the fresh market. If more potatoes were sent to the industry, there would be the possibility of having larger yields, between 80 to 100 MT/ha., rather than the 40-50 MT/ha. that are currently harvested. Otherwise, there is the risk of having domestic production being substituted by U.S. and Canadian potato products. On the import side, there are safeguards that are applied every year to different potato categories according to NAFTA, when the tariff-rate quota has been filled. (Source: Reforma, 10/21/02)

### REPORTS SUBMITTED RECENTLY BY FAS/MEXICO CITY

REPORT #	TITLE	DATE
MX2147	Weekly Highlights & Hot Bites, Issue #35	10/16/02
MX2149	New Rule to Control Aflatoxins in Cereals (NOM-188-SSA-202)	10/22/02
MX2150	Avian Influenza Tests to Export to Mexico	10/22/02

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